visory machinery of RBI has constantly emphasised that the Boards of the Banks should regularly review of important areas of working, in particular credit management, sticky advances, loan recovery, investment transactions, funds & borrowing management, profitability etc. Banks have been conducting internal inspections through their own Inspection Deptt. The RBI inspection also covers the scope, coverage and efficacy of internal inspection reports & points out the deficiencies for compliance. Banks are doing regular audits for income leakages either by their own staff or by Chartered Accountant Firms. Concurrent audits of major branches is done. A few Banks have also developed system of Audit and Management Audit. Bank Executives review the performance of branches and control tiers. Control Returns covering vital areas of work are insisted upon. Inter branch reconciliation has been emphasised.

Inspection of RBI covers Banks appraisal systems, credit supervision, quantification of sticky advances, expected loan losses and shortfall in provisions. In 1985 RBI advised adoption of 8 fold Healh Cotde classification for advances as a Managment Information too. A new classification of advances into standard, sub-standard, doubtful and loss as been recenlty recommended. New balance sheet formats have been adopted by all the banks leading to more transparency regarding provisions. Banks were instructed to review the position of loss making branches as well as overall profitability. The Inspection system and procedures have been reviewed from time to time by RBI to meet the supervision requirements. RBI commenced in Jan. 91 a system of inspection of all larger branches of Public Sector Banks and about 1000 branches of the 28 banks were covered during Jan. & June, 1991. In May 1991 an expert group which went into the system of inspection of the banks recommended: (i) Annual Financial inspection with main accent on the assessment of the banks financial position and (ii) a biennial Management Audit besides using the services of the audit provision for scrutiny of certain specified areas of banks working. RBI caused the Management audit of a large Public Sector Bank in 1991. Since 1985 detailed action plan exercises are held with the Banks for periodic review of their performance.

Setting up of gold bank

556. SHRI VISHWAS RAO RAMRAO PATIL:

DR. SANJAYA SINH:

Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that Government are examining a proposal to set up a Gold Bank;

(b) if so, what are the details thereof; and

(c) by when this bank will start functioning?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI RAMESHWAR THAKUR): (a) Yes, Sir

(b) and (c) The objectives behind setting up a Gold Bank are to mobilise gold from the people, increase the gold reserve and partly to utilise the gold for raising foreign currency loans for developmental programmes. The commercial viabiilty and other details of the proposal are being eamined in detail by Government in consultation with Reserve Bank of India.

Legislation to regulate the conduct of mutual fund business

557. SHRI P. UPENDRA: Will the Minister of FINANCE be pleased to state:

(a) whether Government's attention has been drawn to a suggestion made by the noted economist, Mr. M. Narasimham, that a suitable legislation be introduced to regulate the conduct of mutual fund business, incorporating essential safeuardsg; and